# E.SUN Financial Holding Company Risk Management Policy and Guiding Principles

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(If there is any discrepancy between Chinese version and English version of this articles, the Chinese version shall prevail.)

## Chapter I Risk Management Objectives and Principles

Article 1 When the Company and its subsidiaries are engaged in various businesses, they shall control the risks that may arise from various businesses within an acceptable range in accordance with Risk Management Policy and Guiding Principles. Through a sound risk management framework, consider and manage various risks that may affect the achievement of the Company's strategic objectives, and by integrating risk management into operational activities and regular management processes, achieve the Company's strategic objectives, improve management efficiency, provide reliable information and effective allocation resource goals. At the same time, the purpose of rationalizing risks and rewards should be practiced while ensuring adequate capital.

Article 2 To effectively identify measure, monitor and control various risks, the Company and its subsidiaries shall establish relevant operating rules according to the Risk Management Policy and Guiding Principles to serve as important bases for risk management.

## Chapter II Risk Governance and Culture

Article 3 The Company and its subsidiaries should establish a sound risk governance and management frameworks, and through the participation of the board of directors, functional committees and senior management, to link risk management with the Company's strategies and goals. Determine the Company's major risk projects, improve the comprehensiveness, forward-looking and completeness of risk identification results, and publicize and carry out corresponding risk control and response to reasonably ensure the achievement of the Company's strategic goals.

Article 4 The Company and its subsidiaries should promote a risk management culture, and integrate risk management awareness into regular decision-making and operational activities, through clear risk management declarations and commitments from governance units and senior management, setting up and supporting risk management units, and providing risk management-related professional training for all employees. It is used to form a comprehensive enterprise risk management culture.

## Chapter III Risk Management Organizational Frameworks and Responsibilities

Article 5 The organizational frameworks and responsibilities related to risk management of the Company are as follows:

I. Board of Directors

1. The board of directors is the ultimate governance unit in the Company's establishment of an effective risk management system, and is ultimately responsible for the Company’s overall risk management.; the board of directors has set up a risk management committee under the board of directors, and has established organizational regulations to supervise the operation mechanism of risk management.
2. The board of directors approves overall risk management policies, procedures and frameworks based on overall business strategies and the environment in order to ensure that the direction of the business strategy is consistent with the risk management policy.
3. Ensure the establishment of an appropriate risk management mechanism and risk management culture, supervise and ensure the effective operation of the overall risk management mechanism, and allocate and assign sufficient and appropriate resources to enable the effective operation of risk management.

II. Risk Management Committee

The Company has formed the "Risk Management Committee (hereinafter referred to as "RMC") to supervise the frameworks of the risk management mechanism of the Company and its subsidiaries, reviewing reports submitted through the internal risk management incident reporting frameworks according to delegation of authority, processing of risk management related issues, and supervision of the execution and coordination of overall risk management. The main responsibilities are as follows:

1. Review risk management policies, procedures and frameworks, and regularly review their applicability and enforcement performance.
2. Verify risk appetite (risk tolerance) and guide resource allocation.
3. Ensuring that the risk management mechanism can adequately handle the risks faced by the Company and integrate it into in the regular operation process.
4. Determine the priority order and risk level of risk control and management.
5. Review the implementation of risk management, make

necessary improvement suggestions, and report regularly to the board of directors.

6. Execute the risk management decisions of the board of directors.

## III. Risk Management Division

Responsible for the promotion and implementation of risk management, the main responsibilities are as follows:

1. Formulate risk management policies, procedures and frameworks.
2. Formulate risk appetite (risk tolerance) and establish relevant measurement standards.
3. Analyze and identify the Company's risk sources and categories, and regularly review their applicability.
4. Regularly compile and submit reports on the implementation of the Company's risk management.
5. Assisting and supervising the implementation of risk management activities of each subsidiary.
6. Coordinating cross-subsidiary interaction and communication for risk management operations.
7. Execute RMC's risk management decisions.
8. Planning training related to risk management to enhance overall risk awareness and culture.
9. Integrate the risk information provided by the Company and its subsidiaries, regularly issue risk management related reports to RMC and the board of directors, and establish a dynamic management and reporting mechanism to supervise the effective implementation of risk management.

## IV. Subsidiaries

1. Each subsidiary shall be responsible for risk identification, analysis, evaluation and response to the management business and related new products, services or new types of business, establish various risk management regulations and crisis management mechanisms, and implement and review them accordingly. Cooperate with RMC to complete the control of various risks.
2. Each subsidiary risk management unit shall ensure that the risk management and related control procedures of its subsidiaries are effectively implemented to comply with the risk management policy. Risk management information should be regularly reported to the FHC Risk Management Division and be responsible to RMC.

## V. Auditing Division

The Auditing Division shall perform audits of risk management practices in the Company to ensure compliance with existing policies and control procedures.

Article 6 The Company shall establish or assist its subsidiary to establish the following risk management regulations to evaluate risk management performance and continuously monitor risk management operations:

I. The Company's risk management procedures.
II. Each subsidiary's risk management policies and procedures.
III. The risk management organization and control frameworks of the Company and its subsidiaries.
IV. Various risk limits and monitoring indicators.
V. Various risk assessment operating procedures and evaluation system.
VI. Supervision and reporting operating procedures.
VII. VII. Review of the operating system for risk management procedures.

Article 7 RMC shall assess and monitor the quality of overall risk management and submit a risk management report to the Board of Directors every quarter. For any major risk exposure identified that threatens financial or business soundness or legal compliance, appropriate response measures must immediately be adopted and the Board of Directors must be reported to.

Article 8 When the Company or its subsidiaries develop new products, services, or plan new types of business, relevant risk management measures must be included into the operating systems. The risk management department (or personnel) is also in charge of the execution and review of said company's risk management affairs.

## Chapter IV Risk Management Procedures

### Section 1 Capital Adequacy Maintenance

Article 9 The Company and its subsidiaries shall all maintain adequate capital commensurate with the various levels of risk they bear in compliance with capital adequacy regulations and corresponding regulations applicable to their respective business categories.

### Section 2 Detection and Management of Various Risks

Article 10 The Company and its subsidiaries must plan and establish operating procedures to allocate capital to risk assets in accordance with the various risk levels identified.

Article 11 The risk detection and management process of the Company and its subsidiaries must cover all main risks. Other aspects that must be taken into consideration include capital adequacy, asset quality, management capability, profitability, liquidity, source of profits, foreign exposures, investment portfolios, off-balance sheet items, and consumer disputes.

Article 12 The Company and its subsidiaries shall identify risks in accordance with the Company's strategic objectives and the risk management policies and procedures approved by the board of directors with regard to the short, medium and long-term goals and business management of their affiliated units. Risk identification should adopt various feasible analysis tools and methods, based on past experience and information, and consider internal and external risk factors, the focus of stakeholders, etc., combined with strategic risks and business risks, to comprehensively identify the failure to achieve the Company's goals, cause potential risk events of loss or negative impact on the Company.

Article 13 The Company and its subsidiaries should review their own company size, industry, business characteristics, operational activities, and consider all aspects of corporate sustainability (including climate change) to conduct a comprehensive risk analysis, analyze and identify the Company's applicable risk sources and category, including all of the following types of risks under management, or a portion of the following types of risks after reporting to the RMC and receiving RMC approval.

I. Credit risk
II. Market risk
III. Liquidity risk
IV. Operational risk
V. Legal risk
VI. Money laundering and terrorism financing (ML/TF) risk
VII. Information security risk
VIII. Climate and Environmental Risks
IX. Other risks: such as strategic risks, business risks, financial risks, legal compliance risks, reputation (integrity) risks, emerging risks (such as infectious disease-related risks), etc.

Article 14 Credit risk

The Company and its subsidiaries must establish a system or method to manage credit risk arising from borrowers, counterparties, or asset portfolios.

I. An appropriate credit risk control environment shall be established and included the credit approval process, credit management, measurement and monitoring processes, and credit risk control.
II. Counterparty credit risks (including counterparties, borrowers, and debtors etc.), such as default risk and settlement risk, must be placed under control.
III. The credit rating of counterparties shall be established as well as control criteria for the exposure and risk concentration of different types of products, industries, countries, or groups.

Article 15 Market risk

The Company and its subsidiaries shall establish risk assessment and control mechanisms for fluctuations of the on- and off-balance sheet items due to volatility in price, exchange rates, and interest rates. The above risk assessment and control mechanisms must take into account the principles of security, liquidity, and profitability, and the actual operations of financial markets so as to establish control measures for market risk limit management, limit breaches, and exception management, such as market risk limit control measures.

Article 16 Liquidity risk

I. The Company and its subsidiaries must evaluate key asset portfolios and the liquidity risks to which they are exposed, including funding policy, management of net working capital requirements, management of funding sources, and risk tolerance.
II. Each subsidiary must manage its liquidity risks according to its individual business properties and regulations stipulated by the competent authority.
III. The Company and its subsidiaries must establish a liquidity risk contingency plan, including funding procedure and sources.

Article 17 Operational risk

The Company and its subsidiaries must establish control and audit procedures for the operating procedures, operation authorities, documents, and certificate custody of various businesses according to their respective business properties and scale to manage the risk of loss resulting from inadequate or failed internal process, people and systems or from external events, including legal risk, but excluding strategic and reputational risk.

Article 18 Legal and Other Risks

The Company and its subsidiaries manage legal and other risks with mechanisms such as risk scenario stress testing, risk appetite, and capital adequacy assessments, and reports to RMC.

Article 19 Money laundering and terrorism financing (ML/TF) risk

The Company and its subsidiaries must establish a management mechanism for countering ML/TF risks.
I. Identify, assess and manage its ML/TF risks.
II. Manage and reduce identified ML/TF risks, and adopt enhanced control measures for the higher risks.
III. Monitor and control anti-money laundering and countering terrorism financing legal compliance and execution.

Article 20 Information security risk

The Company and its subsidiaries must establish information security risk management mechanisms for its businesses or transaction information exchange and usage, so as to identify, assess, and control these risks, reduce the risks to acceptable levels, and ensure the continuity of business operations.

Article 21 Climate and environmental risk

The Company and its subsidiaries should implement potential risks and opportunities related to climate change and the environment, develop mitigation and adaptation measures, and set management indicators and goals to enhance the Company's risk management capabilities for climate and environmental risks.

Article 22 The Company and its subsidiaries must establish consistent assessment methods for rating and classifying the quality of assets, and faithfully setting aside allowances or reserves for loss.

Article 23 The Company must establish information security defense mechanisms with respect to business, transactions, and information exchanges or other activities.

## Chapter V Risk Reporting and Disclosure

Article 24 The risk management execution process and results of the Company and each subsidiary should be recorded, reviewed and reported through appropriate mechanisms, and properly retained for future reference, including risk identification, risk analysis, risk assessment, and risk response in the risk management process. measures, relevant information sources and risk assessment results, etc.

Article 25 The Company and its subsidiaries must file with the financial holding's risk management department for recordation any activation or major changes to methods, models, and assumptions in its risk management regulations and control procedures.

Article 26 The Company and its subsidiaries must involve its risk management department in the review of new products, services, or new business activities.

Article 27 The Company and its subsidiaries must establish risk control reporting and review procedures. These procedures must include review mechanisms for reports on compliance with existing policies and procedures, and must particularly emphasize various exceptions of non-compliance.

Article 28 The Company and its subsidiaries must report the Company's risk status and capital requirements to its Board of Directors every quarter.

Article 29 The audit departments of the Company and its subsidiaries must review the corresponding company's risk management procedures to ensure that the evaluation and control procedures for risk management are operating effectively.

Article 30 The Company shall disclose the following risk management related information on the Company website or Market Observation Post System, provide reference for external stakeholders, and continuously update it. The specific items to be disclosed include:

I. Risk management policies and procedures;
II. Risk Governance and management organization framework;
III. The operation and implementation of risk management (including the frequency and date of reporting to the board of directors and committees).

## Chapter VI Supplementary Provisions

Article 31 The Risk Management Policy and Guiding Principles shall become effective upon approval by the board of directors.